



February 24, 2010

To: Wisconsin Assembly Committee on Agriculture

From: Wisconsin Cheese Makers Association

Re: **WCMA Support for AB 746; AB 748 and AB 756**

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Wisconsin Cheese Makers Association represents the majority of cheese manufacturers, cheese processors and dairy marketers in Wisconsin. We appreciate the opportunity to express our support for these bills.

**WCMA supports AB 746**, promoting locally-grown food in school meals and snacks. The program has the potential to link locally-produced cheese and other dairy products with Wisconsin schools. To that end, WCMA respectfully requests that this committee consider the explicit addition of dairy products to the bill, for example in Section 5 the new 93.49 (1) Definition and in 93.49 (2)(b)(1) could note dairy products.

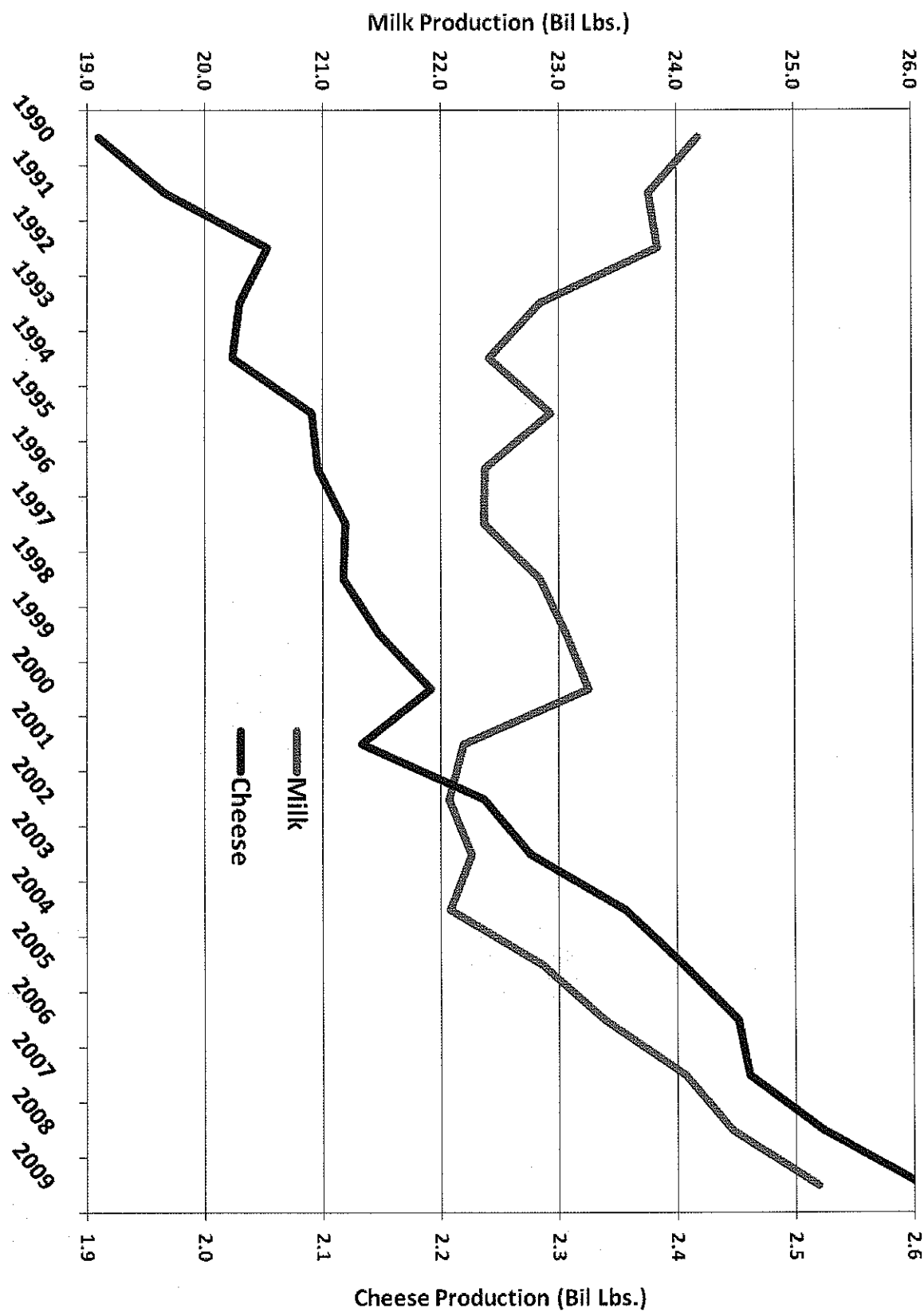
**WCMA supports AB 748**, which suspends for one year the assessment fee milk contractors pay to the Agricultural Producer Security program (APS). This bill originated from dairy farm cooperatives whose hard-working dairy farmer members in 2009 weathered the most difficult financial year in decades. The intent is simple: freeze assessment payments to the producer security fund for one year to make additional money available to milk contractors to pay to dairy producers.

With more than \$10 million in its indemnity fund pool, the APS program has ample funds to cover most dairy industry defaults. The additional (estimated) \$650,000 in assessment dollars that milk contractors will pay next year represents 6 percent of the fund. This bill anticipates that this \$650,000 would be better retained for use in dairy producer milk checks in 2010.

**WCMA supports AB 756**, which extends the dairy farm modernization tax credit for two additional years. The bill is timely and important for several reasons:

1. Wisconsin dairy producers will require the next two years, 2010 and 2011, to rebuild equity and repay loans following the worst financial year for dairy in decades. This tax credit will benefit the bottom line of dairy farms that move forward with farm improvement plans in anticipation of better times ahead.
2. Wisconsin, despite a year of across-the-board losses on dairy farms, has grown milk production in the last five years after a decade of concern that the industry may stagnate and fail. Last year's record 25 billion pounds of fresh farm milk was an achievement tempered by red ink. This bill will continue to spur improvements on farms and improve the quality of life for dairy farmers, increase cow comfort, and put more milk in bulk tanks.
3. **Wisconsin needs the milk!** Demand for Wisconsin cheese has never been higher and the state continues its success in producing higher value cheeses and dairy products and fewer commodity products. To meet demand, Wisconsin cheesemakers supplement fresh Wisconsin milk with nonfat dry milk and concentrated milk from other states. About 13 percent of the milk used in the state came from these outside sources to fill vats and fill orders.

# Wisconsin Milk & Cheese Production



## **Testimony in Support of AB 756 – Dairy and Livestock Investment Tax Credits**

*Wednesday, February 24<sup>th</sup>, 2010*

Good morning Chairman Vruwink and Members of the Assembly Agriculture Committee. My name is Jim Winn. I own and operate the Cotton wood Dairy Farm, and I am speaking on behalf of the Wisconsin Dairy Business Association in support of AB 756 – extension of the Dairy and Livestock Tax Credits.

The Dairy Business Association of Wisconsin (DBA) is a statewide organization, of dairy producers, vendors, allied industry partners, and professionals actively working to assure that dairy producers, large and small, remain an active, thriving part of Wisconsin's economy, communities and food chain. DBA is dedicated to being proactive in ensuring a strong and vibrant future for the dairy industry in Wisconsin.

DBA applauds the foresight and leadership of Governor Doyle, Chairman Vruwink, and all of the Members of this committee for their commitment toward our state's strong and proud dairy industry. Your bipartisan legislation allows farmers to obtain additional tax credits for the modernization of Wisconsin's numerous dairy and livestock farms. These tax credits are significant in that they reduce the farmer's financial risk and create a positive incentive for reinvestment in our agricultural infrastructure.

We are pleased to have worked closely with Governor Doyle and legislators over several past legislative sessions to lay groundwork for other accomplishments that have contributed to the revival of Wisconsin's dairy industry during the past seven years.

In addition to the tax credit issue before us today, your strong, bipartisan accomplishments also include passage of the comprehensive agricultural siting legislation which gives producers a state-wide framework of guidelines to follow to expand their operations instead of a patchwork of local ordinances that could restrict growth; and, the Working Lands Initiative that ensures productive farmland all across Wisconsin will be preserved for future generations of dairy and livestock farmers. You should be very proud of these accomplishments.

I can tell you for certain, as a dairy farmer, that I am also very grateful for your passage of the dairy modernization tax credit in 2003. It provided me and other dairy farms with a positive outlook and an economic incentive to expand and modernize our operations. Your own analysis shows that taken together, dairy and livestock farms have invested more than \$1 billion in private equity to refurbish farming operations in Wisconsin.

As a result of these efforts, Wisconsin has seen its dairy cow numbers increase for the first time in a generation and seen a reduction in the rapid exodus of dairy farms that has occurred over the past 25 years.

For now, Wisconsin still holds title to being the cheese capitol of our nation. We cannot afford to have our dairy production remain static. And, we cannot ignore the fact that only 87% of the milk going into our cheese production comes from Wisconsin cows. The Wisconsin

Cheesemakers Association tells us that the remaining 13% of the milk used for our cheese production is shipped into Wisconsin from out of state.

This is an unacceptable statistic; and it is DBA's position that expansion of the dairy and livestock tax credits is the next essential step, beyond strengthening the livestock siting law and implementing the Working Lands Initiative, if we are to continue to grow Wisconsin's dairy industry.

We encourage you to expand the dairy and livestock tax credits and ensure the viability of the 128,000 dairy-related jobs that put more than \$26 billion into our economy. America's Dairyland cannot afford to lose more dairy farms and we cannot afford to lose any more of the associated manufacturing, transportation, packaging and other skilled jobs that dairying supports. It is imperative that this important segment of our state's economy continues to grow.

We are thankful that you have recognized the important role investment in our dairy and livestock farms will have on the stability of our agricultural industry in our state as well as the economic sustainability of the rural communities that depend upon them.

Please pass AB 756 and help us increase our productive capacity so that we can meet the demands of our cheese production industry.

Thank you, and I'd be willing to take any of your questions.

**To: Assembly Committee on Agriculture**  
**From: Sarah Lloyd, NelDell Farms, Wisconsin Dells, WI**  
**Date: February 24, 2010**  
**Re: Questions and Concern on Assembly Bill 756 relating to the dairy and livestock investment tax credits**

My name is Sarah Lloyd and I am a dairy farmer in Columbia County, just east of Wisconsin Dells. My husband, Nels Nelson and I milk 300 cows with his brother and family and my in-laws. I am not able to make it in-person today to the hearing but I hope that you will consider this memo when you are hearing testimony and considering Assembly Bill 756.

From reading the draft of AB756 under consideration, I have understood that you are considering extending and increasing the tax credits available to dairy farmers for the "modernization" and expansion of their operations.

On the face of it I am not opposed to the extension of the tax credit to January 1, 2012 IF an analysis of how the tax credit has been used so far shows that it is being used equally across the diversity of Wisconsin dairy farms, both from a size and a dairy system perspective.

However, I am NOT in favor of extending the availability of the tax credit if analysis shows that this tax credit has primarily gone to facilitate and encourage the expansion of large farms in Wisconsin.

**What sort of farms and operations have taken advantage of this tax credit?**

I am asking that if the Assembly Committee on Agriculture has not already seen an analysis of how the tax credit has been used, that you do this before making a decision about AB756.

Also I would urge that you do NOT increase the maximum tax credit to \$75,000, as currently proposed. Is it necessary to increase this? During this time at what is hopefully the end of a long period of low milk prices, **what sort of farm is able to spend \$750,000 in expansion and modernization?** Does this increase only allow more benefits for large-scale CAFOs? Currently the maximum tax credit under this program is \$50,000. I would urge you to maintain it at the current level. This will provide plenty of incentive for farms that want to make improvements, while not further encouraging larger farms.

We do not need more, larger dairy farms in Wisconsin. Currently our average herd size is around 100 cows. And we have a good mix of sizes and shapes (confinement herds to rotational grazing herds). This diversity is vital for the resiliency of our dairy industry, economically. But the number and diversity of dairy farms is also vital for our rural communities, our schools, our churches, etc.

It seems very common to hear that we have to make sure we have large-CAFOs to maintain milk production volumes to keep our dairy processing industry healthy. And so we must make available lots of incentives and encouragement, like the tax credits proposed in AB756. I do not dispute that our dairy processing industry needs to be healthy. But we can supply this industry with milk in many different ways.

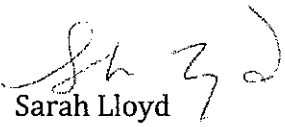
According to figures just released by the USDA Wisconsin produced just over 25 billion pounds of milk in 2009. And the average Wisconsin cow produced just over 20,000 pounds of milk a year. So to maintain this 25 billion pounds we need 1,250,000 cows. Here is an example of the different "ways" we can produce that 25 billion pounds of milk in Wisconsin:

- 12,500 dairy farms with an average herd size of 100 cows (basically what we have now).
- 2,500 dairy farms with an average herd size of 500 cows
- 1,250 dairy farms with an average herd size of 1,000 cows
- 250 dairy farms with an average herd size of 5,000 cows.

There are heavy implications for communities, the economy, people, and the land depending on what scenario Wisconsin chooses to set its sights on. I urge the Assembly Committee on Agriculture and decision-makers in the state to do what they can to maintain the first scenario and not put all its efforts, money, and resources in creating the 250, 5,000 cow variant.

I appreciate your consideration of my questions and concerns on AB756.

Thank you,



Sarah Lloyd  
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State of Wisconsin  
Jim Doyle, Governor

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**Department of Agriculture, Trade and Consumer Protection**  
Rod Nilsestuen, Secretary

DATE: February 24, 2010

TO: Representative Amy Sue Vruwink, Chair,  
Assembly Committee on Agriculture

FROM: Randy Romanski, Deputy Secretary  
Department of Agriculture, Trade and Consumer Protection

SUBJECT: Testimony on AB 756 – Extending the Dairy Farm Modernization Investment Tax Credits through 2012.

Thank you for the opportunity to testify in support of AB 756. The Department would like to thank Chairperson Vruwink and the bi-partisan list of co-sponsors for introducing this bill to continue investments in Wisconsin's dairy industry.

In his State of the State address, Governor Doyle called for the continuation of the dairy farm modernization tax credit. This bill, AB 756, would extend the dairy farm modernization tax credit that was enacted as 2003 Act 135. As you know, this popular tax credit for modernization at the farm level sunset in January of 2010. Under this program, millions of dollars of tax credits have been employed to assist farmers in investing in their operations through construction, improvement or acquisition of buildings or facilities, or equipment for dairy animal housing, confinement, animal feeding, milk production or waste management. Eligible expenditures include items from fences, to barns, to digesters. When the dairy modernization tax credit was first enacted, it came at a crucial time in the dairy industry and created opportunities for dairy farmers to make investments in their operations to modernize and compete.

AB 756 will extend the tax credit for 10% of modernization or expansion costs up to \$75,000 per new claimant with no cap on total claims to January 1, 2012, to coincide with the sunset of the companion livestock farm modernization tax credit that was part of the 2005-07 biennial budget.

The tax credits, along with strategic investments by Wisconsin's dairy producers, have contributed greatly to the renaissance in the dairy industry. The dairy farm and livestock tax credits reflect private investment of over \$500 million in the industry and are part of a total \$1 billion of farm level facility investments in dairy farms in the five years leading up to the economic downturn. At a time when dairy farmers have been hit by unprecedented low milk prices and with prices continuing a slow rebound, this investment option may provide an opportunity for recovery for farmers that have interest in making improvements now as they work to build back their businesses. This extension will allow producers the opportunity to make improvements now and hit the ground running as milk prices get above cost of production and help their cash flow as that happens.

*Agriculture generates \$59 billion for Wisconsin*

**February 24, 2010**

**To: Members of the Assembly Committee on Agriculture**

**FROM: Jeff Lyon, Director, Governmental Relations**

**RE: Support AB 756 –Dairy and Livestock Investment Tax Credits**  
**Support AB 757 –Food Processing and Warehouse Investment Tax Credits**  
**Support AB 748 –Dairy Assessment for Agricultural Producer Security Fund**

The Wisconsin Farm Bureau Federation respectfully requests your support for AB 756, AB 757 and AB 748.

**AB 756 –Extension of Dairy and Livestock Investment Tax Credits**

The dairy investment tax credit has a proven track record of success in Wisconsin and needs to continue. While the dairy industry is experiencing low prices and reduced demand worldwide, there is reason for optimism. Prices have begun to rebound and Wisconsin needs to be able to position itself for the future. During this period of low prices, Wisconsin was one of few states that actually increased production. Perhaps we have learned that Wisconsin and our style of dairy farming (predominantly growing our own feeds) might be the key to profitability in the future.

The dairy and livestock investment tax credit program coupled with livestock siting and use value assessment for farmland give our dairy and other livestock producers an opportunity to make investments in their farming operations.

**AB 757 –Food Processing and Warehouse Investment Tax Credits**

Often overlooked, our food processing industry in Wisconsin is a significant contributor to our state's economy. As a leader in the production of potatoes, vegetables and cranberries, Wisconsin farmers have benefited from a strong processing industry in our state. Food processing facilities around the state have added value to the crops grown here.

An investment tax credit program will allow our food processors to reinvest in their facilities and position themselves for future demand both here and abroad.

**AB 748 –Dairy Assessment for Agricultural Producer Security Fund**

During this economic recession, dairy farmers and the processing facilities they ship their milk to have been hit particularly hard. Allowing for a one year "holiday" would allow cooperatives and proprietary plants to return dollars to their patrons. It should be noted that assessments into the fund have continued with very few draws on the fund.

While not part of this legislation, Farm Bureau policy supports capping the level of the fund.



Written Testimony in Support of 2009 Assembly Bill 746 to Promote Use of Locally Grown Foods in Schools provided by Melissa Kieffer, Farm to School Program Assistant, REAP Food Group.

February 24, 2010

Provided to Representatives, Senators, and Members of the Committee on Agriculture:

I would like to begin by thanking the Committee for allowing this opportunity to express my support of this Bill in regards to expanding the use of locally grown foods in schools, accompanied by education and access to funding.

I manage a Homegrown Snack Program with REAP's Farm to School which over this current school year has served 4186 students in 11 elementary schools in the Madison Metropolitan School District. This has included working with nearly a dozen local farmers to present students with fresh, healthy snacks once a week. Some of these snacks, such as kohlrabi and raw sweet potato sticks are new and exciting taste experiences for several students. My favorite story is of a child at Shorewood Elementary who liked the raw sweet potatoes so much that when his mother asked to pack it in his lunch; he said no for fear that other students would take them from him because they tasted so good.

Along with the weekly snack, we provide participating schools with programming such as classroom lessons on plant and nutrient cycles, classroom and schoolwide tastings, visits from farmers in the classrooms, and farm field trips. This programming is critical to assist students using connections with their food to make wise and healthy eating choices.

This is a wonderful opportunity for the State of Wisconsin to support a program that benefits both Wisconsin farms and the health of Wisconsin school children.

Thank you,

Melissa Kieffer

Farm to School Program Assistant  
REAP Food Group



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[www.cooperativenetwork.coop](http://www.cooperativenetwork.coop)

Date: February 24, 2010  
To: Members, Assembly Committee on Agriculture  
From: John Manske, Director of Government Relations  
RE: Support for Assembly Bill 756

Cooperative Network represents 600 cooperatives, mutual insurance companies, and credit unions owned by approximately 2.9 million Wisconsin members. Among our members are dairy cooperatives that market the majority of milk produced in Wisconsin and produce close to 60% of our cheese. We are in support of Assembly Bill 756, authored by Chairwoman Vruwink and supported by numerous colleagues. AB 756 would extend the dairy farm modernization investment tax credit provision two years.

Cooperative Network was the primary statewide association that successfully advocated for creation of the dairy farm modernization investment tax credit that was in place for tax years 2004 - 2009. 2003 Assembly Bill 283 was created to help start the reversal of what was seen as a decline in the dairy industry in Wisconsin at that time. Most Wisconsin dairy farms had not adopted technology that was common in states with growing dairy industries and most farms were utilizing outdated and inefficient facilities and equipment. Wisconsin cow numbers were in a dramatic decline, and actually experienced an average decline of 1,625 cows per month from 1997 - 2001. In September 2001, milk production was at the lowest level in more than 20 years. Production declined by more than one billion pounds in 2001. Declining cows and milk production were threatening the entire dairy industry in Wisconsin.

Fortunately, the Wisconsin Legislature responded broadly and positively. 2003 AB 283 was passed on a 96-0 vote in the Assembly and 33-0 vote in the Senate. In no small part due to this legislation which became 2003 Wisconsin Act 135, the declining fortunes of our dairy industry were reversed. Over \$50 million in dairy investment tax credits (DITC) have been claimed, representing over \$500 million in expenditures to modernize dairy farm facilities and equipment. The cow numbers in Wisconsin have grown again after declining for 20 years, and the overall dairy industry in the state has benefitted as a result, resulting in jobs retained, jobs created, and increased revenue to state and local governments.

All dairy farms that could benefit from upgrades have not done so, and AB 756 will offer an extended incentive for many of those farms to do so. It also increases the aggregate amount of credit that a claimant may claim, from the \$50,000 that existed for tax years 2004 - 2009, to the proposed amount of \$75,000.

Thank you for considering our request.

## MEMORANDUM

February 18, 2010

**TO:** Joseph Kreye  
Legislative Reference Bureau

**FROM:** Rebecca Boldt  
Department of Revenue

**SUBJECT:** Technical Memorandum on AB 756 (LRB 4258/1) – Extend the Dairy Farm Investment Credit

The Department has the following technical concerns with the above-referenced bill:

Is it the author's intent that the increase in the aggregate amount of credits from \$50,000 to \$75,000 is to apply for prior years? If yes, this would allow persons who were limited in a prior year to amend that prior year return to claim additional credit without making an additional investment. This would apply to both the dairy investment credit and the livestock investment credit. If no, a separate effective date should be provided for the various sections of the bill that increase the aggregate amount of credit that may be computed.

Under the bill, the definition of "used exclusively" is different for insurance companies than it is for individuals and corporations. In order to maintain consistency, the author may wish to delete the repeal of sections 71.07 (3n)(a)6.c. and 71.28 (3n)(a)6.c., and instead amend them in the same manner as s. 71.47(3n)(a)6.b. is amended under the bill.

If you have any questions regarding this technical memorandum, please contact Michael Oakleaf at 261-5173 or via email at [Michael.oakleaf@revenue.wi.gov](mailto:Michael.oakleaf@revenue.wi.gov).

cc: Rep. Vruwink